



MENTAL WELFARE COMMISSION FOR SCOTLAND

ANNUAL REPORT AND ACCOUNTS FOR YEAR ENDED

31 March 2019

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MENTAL WELFARE COMMISSION FOR SCOTLAND

Annual Report and Accounts for year ended 31 March 2019

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Performance Report

1. Overview

The purpose of this overview is to give the reader a short summary of the Commission's purpose, how we have performed during the year, and the key risks to the achievement of our objectives.

1.1. Statement from the Chief Executive

This year we have undergone a major organisational development programme in moving to agile working arrangements. This included a capital project to substantially reduce and refurbish our office space and sharing meeting space with another organisation. The project was completed on time and within budget. The project involved staff throughout its planning and implementation including office design, furniture and decoration selection and revised flexible working policies and protocols. It has had a positive transformative impact on our staff by providing modern office space and upgraded IT and breaking down some of the cultural barriers between staff groups.

We are sad to report the unexpected death of Gary Morrison, our Executive Director (Medical) at the beginning of April 2019. Gary was an immensely caring and compassionate man who always put the interests of the individual first and challenged clinical practice to improve people's rights and welfare.

Despite these major changes to our small organisation we have continued to focus on protecting and promoting the rights of people with mental illness, learning disabilities, dementia and related conditions. We have met the majority of our non-financial key performance indicators (pages 10 to 13) and continue to influence and challenge for improvements in mental health and incapacity law and practice. We welcome the Scottish Government's announcement in March 2019 of a review of mental health legislation and look forward to contributing to that review over the next year.

This year we report a budget underspend. There was a small 1.4% underspend for our core operating budget, a 24.3% underspend for the independent learning disability review (mainly due to timing) and a 10.5% underspend for The National Confidential Forum (NCF).

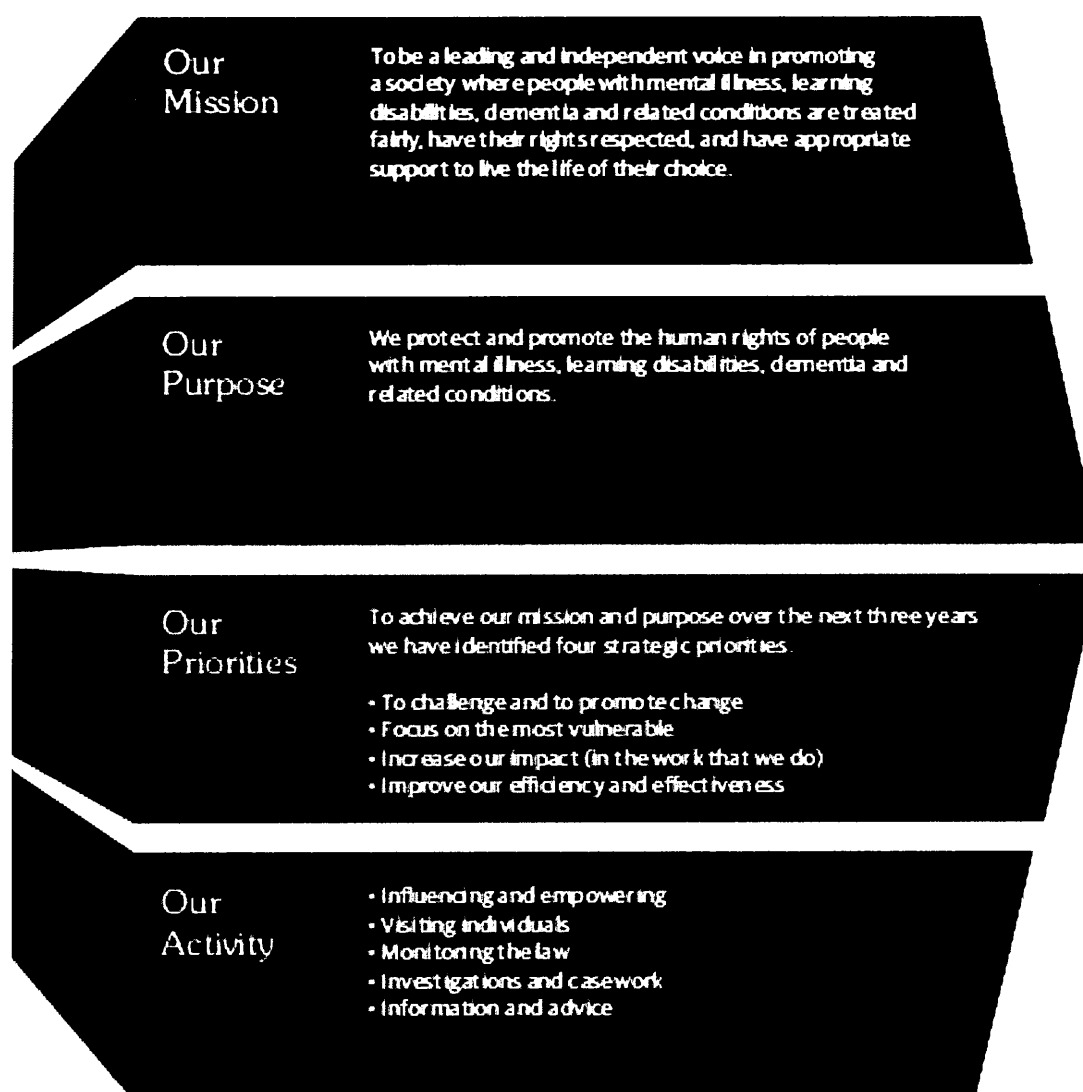
1.2. Purpose and Activities of the Commission

The Mental Welfare Commission for Scotland was originally constituted under the Mental Health Act of 1960, replacing a body that can be traced back to 1857. The current duties of the Commission are embodied in the Mental Health (Care & Treatment) (Scotland) Act 2003 (MHCT Act 2003) as amended by the Public Services Reform (Scotland) Act 2010, Victims and Witnesses (Scotland) Act 2014 and the Mental Health (Scotland) Act 2015; and the Adults with Incapacity (Scotland) Act 2000 (AWI Act 2000). Schedule 1 of the 2003 Act applies certain provisions of the NHS (Scotland) Act 1978 with regards to annual accounts. The Commission's accounts

are consolidated into those of the NHS in Scotland and it follows procedures outlined in the Health Board Accounts Manual.

The Commission's mission, purpose priorities and activities are illustrated in the diagram below.

Our mission and purpose



1.3. Key issues and risks

The Board sets the strategic direction for the organisation and monitors performance against key strategic objectives. It is also responsible for ensuring sound corporate governance. The strategic and business plans are available on the website.

Through the strategic planning and risk management processes the Board reviews the principal risks and uncertainties facing the Commission. This year the Board identified the key risks as:

- A lack of resources meaning we are unable to fulfil our statutory remit as outlined in our strategic and business plans
- The impact of the National Confidential Forum both on the reputation of the Commission should NCF receive negative publicity or be deemed to fail whilst a committee of the Commission and on the resources required from the Chief Executive and the corporate services team
- The loss of key staff leading to an inability to implement the business plan
- Not having the right staff skill mix to carry out current or future operational requirements

The Board discussed the development of the business plan and associated budget at three meetings. This included requesting the Chief Executive to discuss the future budget allocation with the Scottish Government and that a skill mix review be included in the Business Plan for 2019/20. In December 2018 we requested an increase in our core budget allocation to £4 million in 2019/20 and to £4.2 million thereafter to ensure we can continue to prioritise our core statutory functions and to fund increases to employer pension costs and staff pay remit. In April 2019 we were informed that the budget for 2019/20 had not been finalised but we would receive, as a minimum, £3.65 million and funding for a post to assist the Scottish Government to develop a system for investigating all deaths of patients who, at the time of death, were subject to an order under either the Mental Health (Care and Treatment) (Scotland) Act 2003 or part VI of the Criminal Procedure (Scotland) Act 1995. We were planning our activities around this reduced budget, however in mid-June 2019 we received confirmation that our core budget for 2019/20 would be £4million plus £192k to take forward both the review of deaths of patients and a review of the system where someone in touch with mental health services commits homicide.

The National Confidential Forum continued to operate during the year with the expectation in the first part of the year that its work would conclude in March 2019. There has been significant staff and Forum Head and member turnover during the year which has an impact on the work of the corporate services team in the Commission. In September 2018 the Scottish Government informed us that the Forum's work would continue until at least March 2021 whilst there was a review of the future landscape including the acknowledgement function. This has allowed for staff contracts to be extended and a more secure planning framework for the Forum.

1.4. Performance summary

Influencing and Empowering

The Commission has been calling for a review of Scotland's mental health and incapacity legislation for some years. In 2017 we published a document with Edinburgh Napier University which reviewed Scotland's mental health and incapacity legislation in the light of international developments in human rights standards. At that time we suggested a different approach to welfare guardianship and consideration of unified mental health and incapacity legislation. We have continued to work with the Scottish Government on its development of reforms to the Adults with Incapacity legislation. We welcome the announcement in March 2019 of a review of the Mental Health Act and will play an active role in the review.

In 2016, our No Through Road report highlighted long delays in discharging many people with learning disabilities from NHS Assessment and Treatment Units. We have continued to monitor this and welcomed the Government sponsored report Coming Home, which highlights the changes in services which are needed to make substantial improvements. We will continue to press for a greater local and national commitment to the development of community supports for this group of people.

The Commission continues to contribute to The Sharing Intelligence for Health & Care Group which aims to improve the quality of health and social care by allowing members to share and learn from existing data, knowledge and intelligence. The Commission is one of seven national organisations that make up the Group, along with Audit Scotland, the Care Inspectorate, Healthcare Improvement Scotland, NHS National Services Scotland, NHS Education for Scotland and the Scottish Public Services Ombudsman.

We attend meetings of the Scottish Mental Health Partnership and worked with other organisations to promote a rights based approach to the Government's Mental Health Strategy. We also participate in professional networks including the Mental Health Nursing Forum, the Royal College of Psychiatrists' Scottish Committee and Social Work Scotland, and key interest groups such as the Scottish ECT Accreditation Network and the Alzheimer Scotland Policy Committee.

We responded to five Scottish Government policy or legislative consultation documents of relevance to the work of the Commission.

Visiting

We continued to visit people who are being treated under mental health and incapacity law or who are otherwise receiving care and treatment in hospital, community and other settings. When we visit an individual we find out their views of their care and treatment. We also check that their care and treatment is in line with the MHCT Act 2003, the AWI Act 2000 or any other relevant legislation. We make an assessment of the facilities available for their care. We expect to find that the individual's needs are met and their rights respected. If not, we make recommendations for improvement.

This year we carried out two national themed visits. These visits are to individuals receiving similar services across Scotland. We produce a national report comparing issues for individuals receiving care and treatment across Scotland and making recommendations. The themed visits were to:

- individuals with in rehabilitation wards (report will be published in August 2019)
- individuals with autistic spectrum disorder and complex needs (report will be published in August 2019)

We also carried out 103 local visits to hospitals and care services, of which 28 were unannounced. We particularly focus on units where there is a major deprivation of liberty, where intelligence gathered from themed visits, previous visits, service user concerns and other sources raise issues about care and treatment or where it has been some time since our last visit. For each local visit we provided feedback and recommendations for improvement to the services involved. The local visit reports are published on our website. A report summarising the findings from our local visits in 2018 will be published in August 2019.

Monitoring of Mental Health and Incapacity Legislation

We have various duties under the MHCT Act 2003 to receive, check and report on statutory interventions and notifications. We also promote the principles of that Act. In addition, we receive statutory notifications of certain welfare interventions under the AWI Act 2000. Our monitoring work involves both checking the paperwork and records of people who are being cared for or treated under mental health or incapacity law and analysing and reporting on trends and differences in the way the law is being used across the country.

In 2018/19 we processed 39,233 (17/18: 36,752) forms and other notifications related to mental health and incapacity legislation; 3,535 (17/18: 3,335) Guardianship and Intervention Orders. We published annual statistics and analysis on the use of the Acts on our website for services to compare practice across the country. We decided that we would publish these reports on alternate years, AWI one year and MHA the next. This will allow us to carry out some more in depth analysis on specific areas of use of the Acts.

In our 2016 themed visit report to mothers receiving perinatal mental health services we committed to “Work with the Perinatal Managed Clinical Network (once established) and the Information Services Division¹² (ISD), to explore how the monitoring of perinatal admissions across Scotland can be improved and reported on in the future”. We have developed a system of monitoring admissions of mothers to general mental health wards and sharing anonymised data with the managed clinical network. This will be implemented in April 2019.

This year we visited 341 people subject to guardianship orders under the Adults with Incapacity Act. We select a sample of guardianship orders based on our previous knowledge of the sorts of orders that might raise concerns. We review the paperwork

and meet with the individual and their guardian or carer, where appropriate. We complete a standard monitoring form for each visit which allows us to compare and contrast the use of welfare guardianship across Scotland.

Under Section 233 of the MHCT Act 2003, the Commission is responsible for appointing Designated Medical Practitioners (DMPs). Their function is to provide a second medical opinion when medical treatments are prescribed under Part 16 of the MHCT Act 2003 (and section 48 of the AWI Act 2000). During the year we held one induction session and one seminar for DMPs and organised 2,138 (17/18: 1,925) second medical opinions.

Investigations and Inquiries

We carry out an investigation when we believe something may have gone seriously wrong with an individual's care and treatment. Investigations are at many levels from a telephone call to a service to a more in depth investigation where we might interview individuals and staff involved. Of course, we cannot formally investigate every case of potentially poor treatment, so for our major investigations we choose cases which have implications for services across Scotland.

This year we progressed 21 investigations at our Operational Management Group. We also reviewed how we record investigatory casework and introduced an improved system to record active interventions on cases. We commenced a major investigation into an individual with learning disability being delayed in hospital for 18 months. Some of the reasons for the investigation were disagreements between services and the guardian about an appropriate discharge plan and care package. The report will be published in the autumn.

Information and Advice

The Commission operates a telephone advice line aimed at helping service users, carers, practitioners and others to understand more about individuals' rights and effective use of mental health and incapacity law. The number of telephone calls logged was 4,790 (17/18: 5,087) with 4,238⁽¹⁾ (17/18: 4,518) of these allocated as requests for advice. Much of our work is at the complex interface between the individual's rights, the law and ethics and the care the person is receiving. We work across the continuum of health and social care and are the only organisation to do so.

We regularly carry out a sample audit of advice given out by individual practitioners and this has consistently revealed an accuracy rate in excess of 97.5%, which is the Commission's target.

During the year we consulted extensively on two good practice guides – mental health care planning and the use of seclusion, both of which will be published during 2019. We also published a new good practice guide on alcohol related brain damage and an updated version of Carers and confidentiality guide.

⁽¹⁾ This number is all requests for advice which is different to requests for advice allocated to the duty practitioner reported in the KPIs

Continuous Improvement

We are committed to demonstrating that our work provides value for money.

We continue to audit the advice given on the telephone advice line and our local visits. Results from these evaluations are fed back to the practitioners to improve practice and share any learning points.

We reviewed how we record our investigatory casework and implemented an improved system to ensure consistency across the organisation and better reporting of active intervention in cases.

We implemented a revised strategic risk register which articulates and scores the key risks to the organisation with clearer reporting to the Audit, Risk & Information Governance committee and Board.

We revised and updated our stakeholder engagement and participation strategy. We did this in consultation with our Advisory Committee.

We continue to discuss strategic priorities on our visiting and monitoring work and areas for good practice guide development with the Advisory Committee and staff.

The accommodation project was a major project for our organisation and it was important that staff felt an ownership of it. A staff group was involved throughout the project including office design, choosing decoration and furniture and developing new office protocols and policies.

The Advisory Committee carried out its biennial self- assessment and the Board, Audit, Risk and Information Governance Committee and Operational Management Group all carried out annual self-assessments of their effectiveness and implemented any changes identified.

National Confidential Forum (NCF)

The National Confidential Forum recorded 106 enquiries, received 60 applications and held 25 hearings during the year. During the year the Scottish Government confirmed that the Forum will continue until at least March 2021. This gives the Forum much needed clarity and an ability to plan for that period. There was some staff turnover during the year with the Forum Head and two members and the Project Manager leaving during the year. A new Head and Manager started in May 2019.

The NCF is required by legislation to produce a separate annual report to that of the Commission. It will be produced by the end of June 2019 and will be available on the Forum's website.

The independent review of learning disability and autism in the Mental Health Act

The review has an independent chair, Andrew Rome, appointed by Scottish Ministers. The Secretariat (a Secretary and Project Manager) for the review are hosted by, and employees of, the Commission. The Review secretariat comply with the Commission's business and corporate policies. The budget for the review is part of the Commission's allocation from the Scottish Government and the Chief Executive is therefore accountable for the appropriate use of these public funds. The review commenced in December 2017 and is due to report in December 2019. The work of the review is available on its [website](#).

2. Performance Analysis

Key Performance Indicators

The Commission reports to the Board on a quarterly basis on the progress of the business plan including the key performance indicators set out in that plan.

Financial Performance

The Commission's revenue resource allocation from the Scottish Government for 2018/19 was £4,861,000 (prior year £4,585,000). The Commission received a capital allocation of up to £300,000 in 2018/19 (prior year £nil)

The revenue resource allocation includes funding for Commission 'core activities' and funding for the operation of the National Confidential Forum.

Details of the Commission's financial performance are given below and in the following statements and supporting notes.

**Mental Welfare Commission for Scotland
Performance Report**

**Annual Report and Accounts
31 March 2019**

	Limit as set by SGHSCD £'000	Actual Outturn £'000	Variance (Deficit)/Surplus £'000
1 Core Revenue Resource Limit			
• MWC Core	3,790	3,737	53
• NCF	882	788	94
• LDA*	189	144	45
Non-core Revenue Resource Limit			
• MWC Core	0	0	0
• NCF	0	0	0
• LDA*	0	0	0
Total	4,861	4,669	192
2 Core Capital Resource Limit			
• MWC Core	300	288	12
Total	300	288	12

**The Review of the Mental Health (Care and Treatment) (Scotland) Act 2003 for people with Learning Disability and Autism.*

MEMORANDUM FOR IN YEAR OUTTURN

	£'000
Reported Surplus in 2018-19	192
Approved Carry-forward (Deficit)/Surplus from previous financial year	Nil
Surplus against in year total Revenue Resource Limit	192

The Commission is showing net liabilities of £70,000 (prior year: £312,000 net liabilities).

Under accounting arrangements Health Boards must show liabilities for future years in their accounts without showing funding anticipated from the Scottish Government Mental Health Directorate. This has resulted in net liabilities on the Statement of Financial Position. The Statement of Financial Position reflects liabilities falling due in future years that are expected to be met by the receipt of funding from the Scottish Government. Accordingly the accounts have been prepared on the going concern basis.'

Total current liabilities of £368k (note 10) are slightly higher than as at 31 March 2018.

There were no impairments of receivables (2017/18: nil)

There are no significant remote contingent liabilities.

There are no legal obligations as at 31 March 2019.

Performance against Key Non-Financial Targets

The Commission had five key performance indicators (KPIs) outlined in its Business Plan for 2018/19. Performance against each of these KPIs is noted below.

1. To visit a minimum of 1,350 individuals during 2018-19

Most of our visits involved interviewing individuals receiving care and treatment. Sometimes, we were not able to interview the individual, but we still undertook other activity such as reviewing their case files.

Type of visit	Target	Individuals visited	Total
Visits to individuals subject to AWI powers	350	341	341
Individuals seen as part of themed visits	300		185
Of which			
<i>Individuals in rehabilitation wards</i>	250*	129	
<i>Individuals with Autistic Spectrum Disorder</i>	50	56	
Individuals seen as part of local visits	700	862	862
Of the 862:			
Interview		566	
No interview but other activity		296	
Of the 862:			
<i>Individuals subject to MHA powers</i>		399	
<i>Individuals subject to AWI powers</i>		30	
<i>Individuals subject to CPSA powers</i>		108	
<i>Individuals that were informal</i>		241	
<i>Individuals subject to AWI and MHA powers</i>		33	
<i>Other/field not completed</i>		51	
Other individual visits (<i>Young people, cross border transfer and MWC initiated</i>)			14
Interview		12	
No interview but other activity		2	
<i>totals</i>			
TOTALS	1350	1402	1402

In total we have reviewed the care and treatment of 1,402 individuals.

We met with 96 relatives/carers during our local visits.

During the themed visits to rehabilitation wards we met with 48 relatives/carers.

2 To ensure that at least 25% visits to individuals in local services are in the unannounced format

We carried out 103 local visits of which 28 were unannounced (27%)

3 To produce AWI annual monitoring report by 30 September 2018

The report was published on 27 September 2018

4 To maintain an accuracy rate of at least 97.5% in random samples of telephone advice given

During the year there were 4,191 (2017-18 4,412) calls allocated to duty practitioners as "requests for advice". When we audited calls this year, we found that around 9% (2017-18 9%) of these resulted in information being recorded but no advice being requested or given. We therefore estimate the approximate number of calls requesting advice at around 3,822 (2017-18 4,002).

We audited 159 calls, which is 4% of the total "requests for advice" allocated to duty practitioners. We gave advice in 145 of these calls.

Number of calls where advice given	145
Number of calls where advice accurate	137
Number of calls in which we could have added to the advice given	8(5.5%)
Inaccurate items of advice	0 (0%)
% accuracy	100%
Target for accuracy	97.5%

We have therefore performed better than our target of 97.5%.

5 We will follow-up all our recommendations to services arising out of local visits and achieve satisfactory responses in no less than 95% of cases within the agreed timescale. We will publicly report upon this.

Our local visits to individuals allow us to make specific recommendations to services. We made 277 recommendations following 125 local visits conducted during 1 January 2018 and 31 December 2018. Note that this is not the same as the number of visits reported during the year 1 April 2018 to 31 March 2019 as we allow a 3 month response window from services.

- a) We were satisfied that services had responded to 258 (93%) of recommendations.
- b) We have not yet received responses to 19 (7%) recommendations. 14 of these recommendations have a response date of 4 June 2018, or beyond, and reminders have been sent of the upcoming deadline. For the 5 that have passed

the response deadline, we have been in contact with the service manager to request this information and we will take further action in 2018/19.

- c) We have therefore ensured that we followed up all recommendations to services and we received satisfactory responses to 93%. This is slightly below our performance indicator of 95% due to the fact that 14 of the recommendations were unable to be counted as they deadline was outside the reporting period.

Payment policy

The Scottish Government is committed to supporting business in the current economic situation by paying bills more quickly. The intention is to achieve payment of all undisputed invoices within 10 working days, across all public bodies.

- In 2018/19 average credit taken was 6.8 days (2017/18: 5.7 days)
- In 2018/19 the Commission paid 99.73% by value and 98.92% by volume within 30 days (2014/18: 100% and 100%)
- In 2018/19 the Commission paid 86.9% by value and 88.0% by volume within 10 days (2017/18: 98.2% and 94.6%)

Pension Liabilities

The accounting policy note for pensions is provided in note 1 and disclosure of the costs is shown within note 16 and the Remuneration Report.

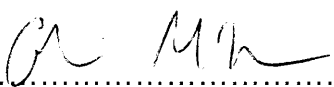
Social matters

The Commission is an equal opportunities employer and has Disability Confident Employer accreditation. All staff are expected to comply with a range of policies covering legal and behavioural matters and are encouraged to participate in shaping corporate policy on, for example, sustainability and dignity at work. Our staff policies are regularly updated for any new legislation or recommended practice. Policies which change due to legislation are a mandatory read for all staff. Our fraud policy (which covers anti bribery legislation) is updated annually and our code of conduct adopts the nine key principles for public bodies.

Sustainability and Environmental performing

As the Commission is not a listed body, it is not required, under the Climate Change (Scotland) Act 2009, to produce an annual report on sustainability.

Approval and signing of the Performance Report


.....
Colin McKay
Chief Executive Officer
25 June 2019

Accountability Report

1. Corporate Governance Report

The Directors' Report

Date of Issue

The Accountable Officer authorised these financial statements for issue on 25 June 2019.

Appointment of auditors

The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. The Auditor General appointed Scott Moncrieff to undertake the audit of the Mental Welfare Commission. The general duties of the auditors of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

Board Membership

The Commission is a body corporate under the Mental Health (Care & Treatment) (Scotland) Act 2003 as amended by the Public Services Reform (Scotland) Act 2010. The Board members are appointed by Scottish Ministers and the public appointments were made in accordance with the Commissioner for Public Appointments in Scotland's Code of Practice.

Board Member	Date of appointment	Due to demit office
Mr Alexander Riddell (Chair)	1 April 2017	31 March 2021
Very Revd Dr Graham Forbes CBE	1 April 2011	31 March 2019
Mr Paul Dumbleton	1 April 2011	31 March 2019
Mrs Safaa Baxter	1 September 2014	31 March 2022
Ms Mary Twaddle	1 April 2017	31 March 2021
Mr Gordon Johnston	1 April 2017	31 March 2021
Mr David Hall	1 April 2018	31 March 2022
Ms Cindy Mackie	1 April 2018	31 March 2022
Ms Nichola Brown	1 April 2019	31 March 2023

The Board members' responsibilities in relation to the accounts are set out in a statement below.

Statement of Board Members' Responsibilities

Under the National Health Service (Scotland) Act 1978, the Commission is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Commission as at 31 March 2019 and of its operating costs for the year then ended. In preparing these accounts the Board Members are required to:

- Apply on a consistent basis the accounting policies and standards approved for the NHS Scotland by Scottish Ministers.
- Make judgements and estimates that are reasonable and prudent.
- State where applicable accounting standards as set out in the Financial Reporting Manual have not been followed where the effect of the departure is material.
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Commission will continue to operate.

The Board Members are responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the Commission and enable them to ensure that the accounts comply with the National Health Service (Scotland) Act 1978 and the requirements of Scottish Ministers. They are also responsible for safeguarding the assets of the Commission and hence taking reasonable steps for the prevention of fraud and other irregularities.

The Board Members confirm that they have discharged the above responsibilities during the financial year and in preparing the accounts.

Board members' and senior manager's interests

During the year the Mental Welfare Commission for Scotland has not entered into any material related party transactions as per note 18.

Registers of interests are available on <http://www.mwcscot.org.uk> and on <http://www.nationalconfidentialforum.org.uk>

Third party indemnity provisions

There are no qualifying third party indemnity provisions in place for one or more of the Board.

Remuneration for non-audit work

Details of any remuneration paid to auditors in respect of any non audit work carried out on behalf of the Commission is disclosed in note 3.

Public Services Reform (Scotland) Act 2010

Sections 31 and 32 of the Public Services Reform (Scotland) Act 2010 impose new duties on the Scottish Government and listed public bodies to publish information on expenditure and certain other matters as soon as is reasonably practicable after the end of each financial year. A statement on this is available on our website <http://www.mwcscot.org.uk>

Personal data related incidents reported to the Information Commissioner

No personal data incidents were reported during the year (2017/18: None)

Disclosure of Information to Auditors

The Board Members who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Commission's auditor is unaware; and each Board Member has taken all the steps that he/she ought reasonably to have taken as a Board Member to make himself/herself aware of any relevant audit information and to establish that the Commission's auditor is aware of that information.

Statement of the Accountable Officer's responsibilities

Under Section 15 of the Public Finance and Accountability (Scotland) Act 2000, the Principal Accountable Officer (PAO) of the Scottish Government has appointed me as Accountable Officer of the Mental Welfare Commission for Scotland.

This designation carries with it, responsibility for:

- the propriety and regularity of financial transactions under my control;
- the economical, efficient and effective use of resources placed at the Board's disposal; and
- safeguarding the assets of the Commission.

In preparing the Accounts I am required to comply with the requirements of the Government's Financial Reporting Manual and, in particular to;

- observe the accounts direction issued by the Scottish Ministers including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government's Financial Reporting Manual have been followed and disclose and explain any material departures; and
- prepare the accounts on a going concern basis.

I confirm that the Annual Report and Accounts as a whole are fair, balanced and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

I am responsible for ensuring proper records are maintained and that the Accounts are prepared under the principles and in the format directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as accountable officer as intimated in the Departmental Accountable Officers letter to me of the 20 March 2014.

Governance Statement

Scope of Responsibility

As Accountable Officer, I am responsible for maintaining an adequate and effective system of internal control that supports compliance with the organisation's policies and promotes achievement of the organisation's aims and objectives, including those set by Scottish Ministers. Also, I am responsible for safeguarding the public funds and assets assigned to the organisation.

Purpose of Internal Control

The system of internal control is based on an ongoing process designed to identify, prioritise and manage the principal risks facing the organisation. The system aims to evaluate the nature and extent of risks, and manage risks efficiently, effectively and economically.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the organisation's aims and objectives. As such, it can only provide reasonable and not absolute assurance.

The process within the organisation accords with guidance from Scottish Ministers in the Scottish Public Finance Manual (SPFM) and supplementary NHS guidance, and has been in place for the year up to the date of approval of the annual report and accounts.

The SPFM is issued by Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. The SPFM sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for efficiency, effectiveness and economy, and promotes good practice and high standards of propriety.

Governance Framework

The Board is responsible for setting the overall strategic direction for the organisation and has corporate responsibility for ensuring that the organisation fulfils its strategic aims and objectives. The Board met six times during the year to progress the business of the Commission.

The Board comprises a Chair and seven Board members. The Board members are appointed by Scottish Ministers and the public appointments were made in accordance with the Commissioner for Public Appointments in Scotland's Code of Practice. The Chief Executive Officer and the executive team are not Board members but attend all meetings.

The Board completed a self-assessment in December 2018. The assessment identifies the key risks for the organisation and areas for improvement. The Board identified the key risks for the organisation as

- A lack of resources meaning we are unable to fulfil our statutory remit as outlined in our strategic and business plans
- The impact of the National Confidential Forum both on the reputation of the Commission should NCF receive negative publicity or be deemed to fail whilst a committee of the Commission and on the resources required from the Chief Executive and the corporate services team
- The loss of key staff leading to an inability to implement the business plan
- Not having the right staff skill mix to carry out current or future operational requirements. The Board requested that a skill mix review was included in the Business Plan for 2019/20.

Each Board member has an appraisal with the Chair. The Chair is subject to appraisal by the Scottish Government sponsor department. A pro forma for the Board appraisal is in operation and any development needs for individuals are identified through this process.

The Standing Orders of the Commission outline the scheme of delegation to the Audit, Risk and Information Governance Committee (A,R & IG committee), the executive managers of the Commission and the Head of NCF. There are two standing committees; the Audit, Risk and Information Governance Committee and the Advisory Committee. The Standing Orders and Standing Financial Instructions are reviewed and updated on an annual basis by the A,R & IG Committee and approved by the Board in February each year. The Procurement Policy is reviewed and approved annually by the A,R & IG Committee ensuring the Commission is compliant with procurement regulations.

The A, R & IG Committee remit and membership is outlined in the standing orders. The committee comprises two Board members: Sandy Riddell, Chair until March 2019 and Gordon Johnston member from May 2018 and Chair from April 2019 (David Hall member from April 2019) and a co-opted member (Robin McNaught) who is an external person with expertise in NHS finance. It met three times during the year to consider the operational effectiveness of the internal control structure, to approve the strategic and annual internal audit plan and external audit arrangements, risk management and information governance and security. The committee undertakes an annual self-assessment of its effectiveness and the Chair formally reports to the Board twice a year (once recommending the annual accounts and once an annual report of A,R & IG Committee activities and objectives for the following year). Minutes of each A,R & IG Committee meeting are presented to the Board

By statute the Commission is required to have an advisory committee and it meets twice a year. Its remit and membership is outlined in the standing orders and includes representatives from relevant stakeholder groups. The Advisory Committee gives the Board advice on the Commission's functions and how it exercises its functions.

The Board retains the scrutiny and decision making on appointments and remuneration. All staff, except medical consultants, are covered by the Scottish Government Pay Policy. The Chief Executive Officer is covered by the Scottish Government Pay Policy for senior appointments. The Board approves the pay remit in

line with the pay policy guidance for approval by Scottish Ministers. Medical consultants' pay mirror those in the NHS in Scotland.

The National Confidential Forum (NCF) is established as a committee of the Commission through amendments to the Mental Health (Care & Treatment)(Scotland) Act 2003 by the Victims and Witnesses (Scotland) Act 2014. The Standing Orders outline its remit and delegated authority to the Forum Head although the rules and procedures of committee meetings do not apply. There is a memorandum of understanding between the Scottish Government and the Commission on the operation of the NCF, including corporate governance arrangements.

The Forum comprises the Head and members. A new Head was appointed in May 2019 (to replace the previous Head who resigned in February 19) and four members, all appointed during the year. The Head and members are appointed by Scottish Ministers and the public appointments were made in accordance with the Commissioner for Public Appointments in Scotland's Code of Practice. The Head is accountable to the Commission Chair and reported to every Board meeting during the year. The Forum met six times during the year with minutes of four of the meetings presented to the Board and three minutes published on the Forum's website.

The Operational Management Group (OMG) assists the Chief Executive Officer on the day to day management of the organisation. It meets twice a month and covers all the key strategy areas in its remit. It is not a standing committee of the Board but the remit of the group is approved by the Board and it reports to the Board on a regular basis. The OMG carried out a self-assessment of its effectiveness, implemented improvements and reported on this to the Board.

The Chief Executive Officer is accountable to the Board through the Chair of the Commission. The Chair, along with the Board, agrees the Chief Executive Officer's annual objectives in line with the Commission's strategic and business plans. The members of the executive team set objectives with the Chief Executive Officer and identify any development needs.

In October 2017 the Minister for Mental Health announced that there would be an independent review of how the mental health act works for people with learning disability and autism. Andrew Rome was appointed by Scottish Ministers to lead this review. The Secretariat for the review (two posts) are employed by the Commission and follow our corporate and business processes. The Chief Executive of the Commission is accountable for the public funds for the review. The review will complete its work in December 2019.

The Commission has a Public Interest Disclosure policy to facilitate investigation of staff concerns and Complaints against the Commission policy to record and investigate complaints from the public.

The organisation strives to consult and involve all of its key stakeholders. We do this by

- Meeting with the Advisory Committee and consulting on our strategic priorities

- Ensuring that the composition of the Board reflects the breadth of stakeholder groups. We provided a case study of the effectiveness of Board diversity in incorporating lived experience for the Commissioner of Ethical Standards.
- Meeting with the Minister for Mental Health to discuss our strategic and operational plans and highlight the use of the Acts across Scotland and any areas of concern that the Commission has in mental health and learning disability care and treatment.
- Meeting senior staff in NHS Boards and local authorities on an annual basis. These meetings allow us to feedback to senior managers our activity over the year and to receive update reports on progress made.
- Meetings with professional, service user and carer groups nationally and locally.
- The development of good practice guides done through extensive involvement and consultation including consultation events to discuss the issues and circulation of drafts to relevant stakeholders.

The Commission has a statutory duty to consult with the Care Inspectorate and Healthcare Improvement Scotland. We have memoranda of understanding with both organisations. We have also had discussions around joint working and where this would add value.

Review of Adequacy and Effectiveness

As Accountable Officer, I am responsible for reviewing the adequacy and effectiveness of the system of internal control. My review is informed by:

- executive and senior managers who are responsible for developing, implementing and maintaining internal controls across their areas;
- Board meetings six times during the year;
- periodic reports from the chair of the organisation's A,R & IG Committee, to the Board, concerning internal control;
- the ongoing work of the risk management group in reviewing the risk universe and business continuity plans and developing associated action plans to mitigate the identified risks;
- the development of a risk universe associated with the risks to the Commission from the operation of the NCF and an associated action plan;
- a corporate governance statement from the NCF outlining the internal control structure;

- the work of the internal auditors, who submit to the A,R & IG Committee regular reports which include their independent and objective opinion on the effectiveness of risk management, control and governance processes, together with recommendations for improvement; and
- comments by the external auditors in their management letters and other reports.

Risk Assessment

NHS Scotland bodies are subject to the requirements of the Scottish Public Finance Manual (SPFM) and must operate a risk management strategy in accordance with relevant guidance issued by Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM.

Scrutiny of the risk management strategy is delegated to the A,R & IG Committee. During the year we implemented a new risk management approach to allow us to improve our procedures and implement recommendations from an internal audit report. The key strategic risks were approved at the Board in June 2018 and then fully articulated with the impact of any mitigations shown through a system of gross and net scores for each risk. A updated strategic risk register and risk management policy were fully discussed at the A,R & IG Committee in November and approved at the Board in December. The risk management group, comprising staff from across the Commission, reviewed the strategic risk universe in January. This was discussed at the AR&IG Committee in February but due to the workload from the accommodation project has not yet been presented to the Board for approval. This will happen in June 2019.

Our risk management policy outlines that we will develop operational risk registers for each individual business area: visits, investigations, engagement and participation, monitoring, and corporate services. Some work has started on the operational risk registers and these will be developed more fully during the next year.

Risks to information are considered in line with the process described above and are covered on both the strategic and the operational risk registers. Reports on information governance and IT security are presented to the A,R & IG Committee twice a year. During the year relevant staff received training on data protection impact assessments (DPIA) with the intention that DPIAs are completed on all new projects. These were completed for the move to agile and remote working and the perinatal monitoring project.

We adhere to the Scottish Government's cyber resilience strategy. In June 2018 we gained our cyber essentials accreditation. During the year there has been several developments and improvements to our IT infrastructure including an upgraded firewall. Over the summer of 2019 we will get recredited for cyber essentials and then complete the assessments for cyber essentials plus accreditation.

The NCF has established a risk universe identifying the operational areas of NCF work and associated risks which was approved by the Board in June 2018.

The risk management group also review the business continuity strategy on an annual basis. This involves reviewing the risk register and devising an action plan. The business continuity strategy is approved by the Operational Management Group and was presented to the A,R & IG Committee for information in November 2018. During the year we commissioned a review of our IT infrastructure mainly to facilitate our move to agile working. This review highlighted an area of risk around our disaster recovery procedures which we aim to resolve by July 2019.

More generally, the organisation is committed to continuous development (see continuous improvement section of performance report) and improvement: developing systems in response to any relevant reviews and developments in best practice. In particular, during the year the organisation has:

- Continued to audit the advice given on the telephone advice line and our local visits. Results from these evaluations are fed back to the practitioners to improve practice and share any learning points.
- Reviewed how we record our investigatory casework and implemented an improved system to ensure consistency across the organisation and better reporting of active intervention in cases.
- Implemented a revised strategic risk register which articulates and scores the key risks to the organisation with clearer reporting to the A, R & IG committee and Board.
- Revised and updated our stakeholder engagement and participation strategy. We did this in consultation with our Advisory Group.
- Discussed strategic priorities on our visiting and monitoring work and areas for good practice guide development with the advisory committee and staff.
- Involved staff throughout the accommodation project to help build ownership and manage the change.
- Carried out self-assessments of the Board, A,R & IG Committee, Advisory Group and Operational Management Group and implemented improvements

Disclosures

During the previous financial year, no significant control weaknesses or issues have arisen, and no significant failures have arisen in the expected standards for good governance, risk management and control. There were no significant lapses in data security.

2. Remuneration Report

The Commission determines pay and terms and conditions of employment for staff. This is governed by the Board which recommended the pay remit to Scottish Ministers. Scottish Ministers approved the Pay remit agreed for the year ended 31 March 2019, in May 2018. There were no departures from the policy in the last four years.

There are no additional performance related bonuses. All staff with the exception of the Chief Executive Officer, Executive Director (Medical) and medical consultant are covered by the pay remit. Medical consultant pay mirrors those of the NHS in Scotland.

The remuneration of the Board, NCF Head of Forum, NCF Panel Members, and the Chief Executive Officer is covered by the Public Sector Pay Policy for Senior Appointments.

Duration of Board appointments can be found in the Accountability report. The Chief Executive Officer and Directors are employed on permanent contracts with three month notice periods. There have been no significant awards made to past senior managers (Prior year: Nil)

The remuneration of senior staff, Board members and other public appointees is outlined as follows:

Remuneration Table

	Gross Salary (bands of £5,000)	Bonus Payments (bands of £5,000)	Benefits in Kind	Total Earnings In year	Pension Benefits Note 1	Total Remuneration (bands of £5,000)
	£'000	£'000	£'000	£'000	£'000	£'000
Executive						
Mr C McKay <i>Chief Executive Officer</i> <i>Started: 11.04.14</i>	105 - 110	-	-	105 - 110	28	130 - 135
Dr G Morrison <i>Executive Director (Medical)</i> <i>Started: 01.11.13,</i>	130 - 135	-	-	130 - 135	44	175 - 180
Ms A McRae <i>(note 2)</i> <i>Head of Corporate Services</i> <i>Started: 15.05.00</i>	40 - 45	-	-	40 - 45	6	45 - 50
Mrs A Thomson <i>Executive Director (Nursing)</i> <i>Started 22.10.12</i>	70 - 75	-	-	70 - 75	29	100 - 105
Ms A K Fearnley <i>(note 2)</i> <i>Executive Director (Engagement and Participation)</i> <i>Started: 16.02.15</i>	40 - 45	-	-	40 - 45	10	50 - 55
Mr M Diamond <i>Executive Director (Social Work)</i> <i>Started: 23.03.15</i>	65 - 70	-	-	65 - 70	35	100 - 105
Ms M Connolly <i>Interim Executive Director (Medical)</i> <i>Started: 19.11.18</i>	15 - 20	-	-	15 - 20	-	15 - 20

	Gross Salary (bands of £5,000)	Bonus Payments (bands of £5,000)	Benefits in Kind	Total Earnings In year	Pension Benefits Note 1	Total Remuneration (bands of £5,000)
	£'000	£'000	£'000	£'000	£'000	£'000
Board Members					<i>note 3</i>	
Rev G Forbes (Chair until 31.03.19)	15 - 20	-	-	15 - 20	-	15 - 20
Mr A Riddell (Chair from 01.04.19)	0 - 5	-	-	0 - 5	-	0 - 5
Mrs S Baxter	0 - 5	-	-	0 - 5	-	0 - 5
Mr P Dumbleton	0 - 5	-	-	0 - 5	-	0 - 5
Mr G Johnston	0 - 5	-	-	0 - 5	-	0 - 5
Mr D Hall	0 - 5	-	-	0 - 5	-	0 - 5
Ms C Mackie	0 - 5	-	-	0 - 5	-	0 - 5
Ms M Twaddle	0 - 5	-	-	0 - 5	-	0 - 5

National Confidential Forum Public Appointees	Gross Fees (bands of £5,000)	Bonus Payment (bands of £5,000)	Benefits in Kind	Total Earnings In year (bands of £5,000)	Pension Benefits Note 3	Total Remuneration (bands of £5,000)
Dr R Happer Head of Forum (until 24.02.19)	50 - 55	-	-	50 - 55	-	50 - 55
Mr J Malcolm (Until 07.01.19)	10 - 15	-	-	10 - 15	-	10 - 15
Ms A Farrington (Until 28.02.19)	10 - 15	-	-	10 - 15	-	10 - 15
Ms A Blower (Appointed 01.08.18)	5 - 10	-	-	5 - 10		5 - 10
Ms K Davidson (Appointed 01.08.18)	10 - 15	-	-	10 - 15		10 - 15
Ms M Ramage (Appointed 01.08.18)	5 - 10	-	-	5 - 10		5 - 10
Ms K Pennington -Twist (Appointed 01.12.18)	0 - 5	-	-	0 - 5		0 - 5

In accordance with the Financial Reporting Manual (FReM), and the Companies Act, 2013-14 was the first year that publication of 'pension benefits' was required. This calculation aims to bring public bodies in line with other industries in disclosing an assessed cumulative pension benefit for a standard 20 year period, which is the estimated life span following retirement.

The 'total earnings in year' column shows the remuneration relating to actual earnings payable in 2018 -19

Note 1: The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

<i>Note 2</i>	Full time equivalent Annualised Gross Salary (Bands of £5,000)
Ms A McRae	70 – 75
Ms K Fearnley	70 – 75

Note 3: Board members and NCF public appointees are not in receipt of Pension benefits

Pensions Values Table

	Accrued Pension at age 60 as at 31/03/19 (bands of £5,000)	Total accrued lump sum at age 65 at 31 March 2019 (bands of £5,000)	Real Increase In pension At age 60 (bands of £2,500)	Real Increase in lump sum at age 65 at 31 March 2019 (bands of £2,500)	CETV At 31/03/19	CETV At 31/03/18	Real Increase In CETV
Executive	£'000		£'000		£'000	£'000	£'000
Mr C McKay	60 - 65	0 – 5	0 – 2.5	0 – 2.5	1024	966	43
Dr G Morrison	50 - 55	155 - 160	2.5 – 5.0	7.5 – 10	1061	982	59
Ms A McRae	15 - 20	45 - 50	0 – 2.5	0 – 2.5	341	323	9
Mrs A Thomson	35 - 40	105 - 110	0 – 2.5	2.5 – 5	775	723	43
Ms A K Fearnley	0 – 5	0 - 5	0 – 2.5	0 – 2.5	64	50	5
Mr M Diamond	45 - 50	0 – 5	0 – 2.5	0 – 2.5	786	733	44

Remuneration Report for the year ended 31 March 2018

	Gross Salary (bands of £5,000)	Bonus Payments (bands of £5,000)	Benefits in Kind	Total Earnings In year	Pension Benefits Note 1	Total Remuneration (bands of £5,000)
	£'000	£'000	£'000	£'000	£'000	£'000
Executive						
Mr C McKay Chief Executive Officer Started: 11.04.14	100 - 105	-	-	100 - 105	15	115 - 120
Dr G Morrison Executive Director (Medical) Started: 01.11.13,	130 - 135	-	-	130 - 135	34	165 - 170
Ms A McRae (note 2) Head of Corporate Services Started: 15.05.00	40 - 45	-	-	40 - 45	0	40 - 45
Mrs A Thomson Executive Director (Nursing) Started 22.10.12	65 - 70	-	-	65 - 70	17	85 - 90
Ms A K Fearnley (note 2) Executive Director (Engagement and Participation) Started: 16.02.15	40 - 45	-	-	40 - 45	9	50 - 55
Mr M Diamond Executive Director (Social Work) Started: 23.03.15	65 - 70	-	-	65 - 70	20	85 - 90

	Gross Salary (bands of £5,000)	Bonus Payments (bands of £5,000)	Benefits in Kind	Total Earnings In year	Pension Benefits Note 1	Total Remuneration (bands of £5,000)
	£'000	£'000	£'000	£'000	£'000	£'000
Board Members					<i>note 3</i>	
Rev G Forbes (Chair)	10 - 15	-	-	10 - 15	-	10 - 15
Mrs S Baxter	0 - 5	-	-	0 - 5	-	0 - 5
Mr P Dumbleton	0 - 5	-	-	0 - 5	-	0 - 5
Mr N Dunning	0 - 5	-	-	0 - 5	-	0 - 5
Mr G Johnston	0 - 5	-	-	0 - 5	-	0 - 5
Mr A Riddell	0 - 5	-	-	0 - 5	-	0 - 5
Dr S Sashidharan	0 - 5	-	-	0 - 5	-	0 - 5
Ms M Twaddle	0 - 5	-	-	0 - 5	-	0 - 5

National Confidential Forum Public Appointees	Gross Fees (bands of £5,000)	Bonus Payment (bands of £5,000)	Benefits in Kind	Total Earnings In year (bands of £5,000)	Pension Benefits Note 3	Total Remuneration (bands of £5,000)
Dr R Happer Head of Forum	50 - 55	-	-	50 - 55	-	50 - 55
Mr J Malcolm (Appointed 14.03.16)	25 - 30	-	-	25 - 30	-	25 - 30
Ms A Farrington (Appointed 07.11.16)	15 - 20	-	-	15 - 20	-	15 - 20

In accordance with the Financial Reporting Manual (FReM), and the Companies Act, 2013-14 was the first year that publication of 'pension benefits' was required. This calculation aims to bring public bodies in line with other industries in disclosing an assessed cumulative pension benefit for a standard 20 year period, which is the estimated life span following retirement.

The 'total earnings in year' column shows the remuneration relating to actual earnings payable in 2017 -18

Note 1: The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

<i>Note 2</i>	Full time equivalent Annualised Gross Salary (Bands of £5,000)
Ms A McRae	65 – 70
Ms K Fearnley	65 – 70

Note 3: Board members and NCF public appointees are not in receipt of Pension benefits.

	Accrued Pension at age 60 as at 31/03/18 (bands of £5,000)	Total accrued lump sum at age 65 at 31 March 2018 (bands of £5,000)	Real Increase In pension At age 60 (bands of £2,500)	Real Increase in lump sum at age 65 at 31 March 2018 (bands of £2,500)	CETV At 31/03/18	CETV At 31/03/17	Real Increase In CETV
Executive	£'000		£'000		£'000	£'000	£'000
Mr C McKay	55 - 60	0 - 5	0 – 2.5	0 – 2.5	906	861	31
Dr G Morrison	45 - 50	140 - 145	0 – 2.5	5.0 – 7.5	909	843	47
Ms A McRae	10 – 15	45 - 50	0 – 2.5	0 – 2.5	301	288	4
Mrs A Thomson	30 - 35	100 - 105	0 – 2.5	2.5 – 5.0	672	633	30
Ms A K Fearnley	0 – 5	0 - 5	0 – 2.5	0 – 2.5	47	35	3
Mr M Diamond	40 - 45	0 – 5	0 – 2.5	0 – 2.5	675	636	30

Fair Pay Disclosure

The Commission is required to disclose the relationship between the remuneration of the highest paid executive and the median remuneration of the Commission's workforce as follows;

2018-19		2017-18	
Range of Staff Remuneration	17.6 – 133.0	Range of Staff Remuneration	18.3 – 132.5
Highest Earning Executive's Total Remuneration (£000s)	133.0	Highest Earning Executive's Total Remuneration (£000s)	132.5
Median Total Remuneration	39.0	Median Total Remuneration	39.6
Ratio	3.40	Ratio	3.31
Commentary These figures exclude employer pension contributions to improve comparability. The Executive remuneration disclosure is mid salary range using the £5k banding system. The ratio has increased as the median salary has decreased slightly due to changes in staff composition. The highest earning Executive was a consultant psychiatrist and is remunerated in line with medical consultant pay of the NHS in Scotland.			

Staff Report

a) Higher Paid Employees' Remuneration

Band (bands of £5,000)	2019 Number of Staff	2018 Number of Staff
£95,000 to £100,000	1	0
£100,000 to £105,000	1	1
£130,000 to £135,000	1	1

b) Staff Costs and numbers

31 March 2018 Total £'000	Executive £'000	Board Members £'000	Permanent Staff £'000	Other Staff £'000	NCF Head and Members £'000	31 March 2019 Total £'000
STAFF COSTS						
2,272	480	34	1,707	30	114	2,365
Salaries and fees						
245	59	1	176	3	7	246
Taxation and social security costs						
308	70	-	218	0	0	288
NHS scheme employers' pension costs						
2	-	-	-	4	-	4
Other employers' pension costs						
341	-	-	-	398	-	398
Second Opinion Doctors						
0	-	-	-	10	-	10
Short term staff						
3,168	609	35	2,101	445	121	3,311
TOTAL						

STAFF NUMBERS

62.0	Whole Time Equivalent (WTE)	5.2	8.0	45.4	0.4	3.0	62.0
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c) Staff Composition

	2019			2018		
	Male	Female	Total	Male	Female	Total
Executive Directors	3	4	7	3	3	6
Board Members	5	3	8	6	2	8
NCF Staff	2	5	7	1	1	2
Other	19	40	59	19	45	64
Total Headcount	29	52	81	29	51	80

d) Sickness absence data

	2019	2018
Sickness Absence Rate	5.1%	6.4%

e) Staff Policies

As an equal opportunities employer the Commission welcomes applications for employment from people with disabilities and actively seeks to provide an environment where they and any employees who become disabled can continue to contribute to the work of the Commission. As such the Commission has been awarded the disability symbol employer status.

The Commission provides employees with information on matters of concern to them as employees by means of monthly team briefs, staff meetings and internal communications.

Employees are encouraged to participate in a variety of forums on matters affecting staff including sustainability, dignity at work and office accommodation. Our staff policies are regularly updated for any new legislation and recommended practice. Policies affected by legislation are a mandatory read for all staff.

Pay policy is approved annually by the Board and Scottish Government.

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. The regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation. The data is required to be published on a website maintained by or on behalf of the employer before 31st July each year. The Commission will be reporting a nil return for the year to 31st March 2019 (2018 Nil).

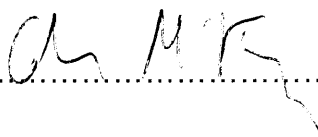
f) Exit packages

There were no exit packages agreed in year (Prior year: nil).

3. Parliamentary Accountability Report

The Board were not required to approve the write off of any losses or make any large special payments during the financial year under review (2017-18 - £Nil)

Approval and signing of the Accountability Report

Signed.....

Colin McKay
Chief Executive Officer
Accountable Officer
25 June 2019

Independent Auditor's Report**31 March 2019**

Independent auditor's report to the members of Mental Welfare Commission for Scotland, the Auditor General for Scotland and the Scottish Parliament

Report on the audit of the financial statements**Opinion on financial statements**

We have audited the financial statements in the annual report and accounts of Mental Welfare Commission for Scotland for the year ended 31 March 2019 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2018/19 Government Financial Reporting Manual (the 2018/19 FReM).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the board's affairs as at 31 March 2019 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is 8 years. We are independent of the board in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board has not disclosed in the financial statements any identified material

Independent Auditor's Report**31 March 2019**

uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

We have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of the Chief Executive's Responsibilities as the Accountable Officer, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report**31 March 2019****Other information in the annual report and accounts**

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and our independent auditor's report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on regularity of expenditure and income**Opinion on regularity**

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements**Opinions on matters prescribed by the Auditor General for Scotland**

In our opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

In our opinion, based on the work undertaken in the course of the audit

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Health Service (Scotland) Act

Independent Auditor's Report

31 March 2019

1978 and directions made thereunder by the Scottish Ministers.

Matters on which we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual report and accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.



Nick Bennett (for and on behalf of Scott-Moncrieff Audit Services)

Exchange Place 3

Semple Street

Edinburgh

EH3 8BL

Date 28 June 2019

Statement of Comprehensive Net Expenditure

31 March 2019

**Statement of Comprehensive Net Expenditure
For the Year ended 31 March 2019**

31 March 2018			31 March 2019
£'000		Note	£'000
3,168	Staff costs	3a	3,311
920	Other operating expenditure	3b	1,358
<u>4,088</u>	Gross expenditure for the year		<u>4,669</u>
(15)	Less: operating income	4	-
<u>4,073</u>	Net expenditure for the year		<u>4,669</u>
<u>-</u>	Other Comprehensive Net Expenditure		<u>-</u>
<u>4,073</u>	Comprehensive Net Expenditure		<u>4,669</u>

The Notes to the Accounts, numbered 1 to 18, form an integral part of these Accounts.

Statement of Comprehensive Net Expenditure

31 March 2019

Summary of Resource Outturn	Note	£'000	£'000
Net Expenditure	SOCNE		4,669
Total Non Core Expenditure			-
Total Core Expenditure			4,669
Core Revenue Resource Limit			4,861
Saving/ (excess) against Core Revenue Resource Limit			192

Summary of Resource Outturn	Resource £'000	Expenditure £'000	Saving/ (Excess) £'000
Core	4,861	4,669	192
Non Core	-	-	-
Total	4,861	4,669	192

The Notes to the Accounts, numbered 1 to 18, form an integral part of these Accounts

Statement of Financial Position

31 March 2018 £'000		Note	31 March 2019 £'000	31 March 2019 £'000
	Non-current assets:			
0	Property, plant and equipment	7(a)	288	
0	Intangible assets	6(a)	0	
<u>0</u>	Total non-current assets			<u>288</u>
	Current Assets:			
	Financial assets:			
28	Trade and other receivables	8	40	
3	Cash and cash equivalents	9	4	
<u>31</u>	Total current assets			<u>44</u>
<u>31</u>	Total assets			<u>332</u>
	Current liabilities			
	Financial liabilities:			
(309)	Trade and other payables	10	(368)	
<u>(309)</u>	Total current liabilities			<u>(368)</u>
<u>(278)</u>	Non-current assets plus/less net current assets/liabilities			<u>(36)</u>
	Non-current liabilities			
(34)	Provisions	11	(34)	
<u>(34)</u>	Total non-current liabilities			<u>(34)</u>
<u>(312)</u>	Assets less liabilities			<u>(70)</u>
	Taxpayers' Equity			
(312)	General Fund	SOCTE		(70)
<u>(312)</u>	Total taxpayers' equity			<u>(70)</u>

The financial statements on pages 40 to 75 were approved by the Board on 25th June 2019 and signed on their behalf by

Signed.....
Alexander Riddell
Chair

Signed.....
Colin McKay
Chief Executive Officer
Accountable Officer

The notes to the Accounts, numbered 1 to 18, form an integral part of these Accounts.

Statement of Cash Flow
For the year ended 31 March 2019

2018 £'000		Note	2019 £'000	2019 £'000
Cash flows from operating activities				
(4,073)	Net expenditure	SOCNE	(4,669)	
0	Adjustments for non-cash transactions	2 (a)	0	
121	Movements in working capital	2 (b)	47	
(3,952)	Net cash outflow from operating activities			(4,622)
Cash flows from investing activities				
0	Purchase of property, plant and equipment		288	288
Cash flows from financing activities				
3,941	Funding	SOCTE	4,911	
0	Movement in general fund working capital	SOCTE	0	
3,941	Cash drawn down			4,911
3,941	Net Financing			4,911
Net Increase / (decrease) in cash and cash equivalents in the period				
(11)				1
Cash and cash equivalents at the beginning of the period				
14				3
Cash and cash equivalents at the end of the period				
3				4
Reconciliation of net cash flow to movement in net debt/cash				
(11)	Increase/(decrease) in cash in year			1
14	Net debt/cash at 1 April	9		3
3	Net Cash at 31 March	9		4

The notes to the Accounts, numbered 1 – 18, form an integral part of these Accounts.

Statement of Changes in Taxpayers' Equity

Year ended 31 March 2019	Note	General Fund £'000	Total Reserves £'000
Balance at 31 March 2018		(312)	(312)
Changes in taxpayers' equity for 2018/19			
Net operating cost for the year	CFS	(4,669)	(4,669)
Total recognised income and expense for 2018/19		(4,669)	(4,669)
Funding:			
Drawn down	CFS	4,911	4,911
Movement in General Fund (Creditor) / Debtor		-	-
Balance at 31 March 2019	SoFP	(70)	(70)

Year ended 31 March 2018 (prior year)	Note	General Fund £'000	Total Reserves £'000
Balance at 31 March 2017		(180)	(180)
Changes in taxpayers' equity for 2017/18			
Net operating cost for the year	CFS	(4,073)	(4,073)
Total recognised income and expense for 2017/18		(4,073)	(4,073)
Funding:			
Drawn down	CFS	3,941	3,941
Movement in General Fund (Creditor) / Debtor	CFS	-	-
Balance at 31 March 2018	SoFP	(312)	(312)

The notes to the Accounts, numbered 1 – 18, form an integral part of these Accounts.

Notes to the Accounts

1) Accounting Policies

a) Authority

In accordance with the accounts direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 appended, these Accounts have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury, which follows International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 to the extent that they are meaningful and appropriate to the public sector. They have been applied consistently in dealing with items considered material in relation to the accounts.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1(w) below.

(i) Standards, amendments and interpretations effective in 2018/19

The following accounting standards have been applied for the first time in 2018-19:

- IFRS 9 Financial Instruments

The standard replaces IAS 39 and introduces a single approach to classification and measurement of financial instruments; a new forward-looking expected loss impairment model; and a revised approach to hedge accounting.

- IFRS 15 Revenue from contracts with customers

The standard introduces greater disclosure requirements, as well as a new five stage model for assessing and recognising revenue from contracts and customers.

(ii) Standards, amendments and interpretations issued in the current year but not yet effective.

IFRS 16 Leases was published by the International Accounting Standards Board in January 2016

IFRS 16 will require leases to be recognised on the Statement of Financial Position as an asset which reflects the right to use the underlying asset, and a liability which represents the obligation to make lease payments. At the date of authorisation of these financial statements HM Treasury has recommended that the application of IFRS 16 is deferred to 1 April 2020, and has therefore not been included in the FReM applicable to this set of accounts.

b) Going Concern

The accounts are prepared on the going concern basis, which provides that the Commission will continue in operational existence for the foreseeable future.

c) Accounting Convention

The Accounts are prepared on a historical cost basis.

d) Funding

The expenditure of the Commission is met from funds advanced by the Scottish Government within an approved revenue resource limit. Cash drawn down to fund expenditure within this approved revenue resource limit is credited to the general fund.

All other income receivable by the Commission that is not classed as funding is recognised in the year in which it is receivable.

Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

Income from the sale of non-current assets is recognised only when all material conditions of sale have been met, and is measured as the sums due under the sale contract.

Non-discretionary expenditure is disclosed in the accounts and deducted from operating costs charged against the RRL in the Summary of Resource Outturn.

Funding for the acquisition of capital assets received from the Scottish Government is credited to the general fund when cash is drawn down.

Expenditure on goods and services is recognised when, and to the extent that they have been received, and is measured at the fair value of those goods and services. Expenditure is recognised in the Statement of Comprehensive Net Expenditure except where it results in the creation of a non-current asset such as property, plant and equipment.

e) Property, plant and equipment

The treatment of capital assets in the accounts (capitalisation, valuation, depreciation, particulars concerning donated assets) is in accordance with the NHS Capital Accounting Manual.

Recognition

Property, Plant and Equipment is capitalised where: it is held for use in delivering services or for administrative purposes; it is probable that future economic benefits will flow to, or service potential be provided to, the Commission; it is expected to be used for more than one financial year; and the cost of the item can be measured reliably.

All assets falling into the following categories are capitalised:

- 1) Property, plant and equipment assets which are capable of being used for a period which could exceed one year, and have a cost equal to or greater than £5,000.
- 2) Assets of lesser value may be capitalised where they form part of group of similar assets purchased at approximately the same time and cost over £20,000 in total, or where they are part of the initial costs of equipping a new development and total over £20,000.

Measurement

Valuation:

All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

All assets are measured subsequently at fair value as follows:

Specialised land, buildings, equipment, installations and fittings are stated at depreciated replacement cost, as a proxy for fair value as specified in the FReM.

Non specialised land and buildings, such as offices, are stated at fair value.

Non specialised equipment, installations and fittings are valued at fair value. The Commission values such assets using the most appropriate valuation methodology available (cost). A depreciated historical cost basis is used as a proxy for fair value in respect of such assets which have short useful lives or low values (or both).

Assets under construction are valued at current cost. This is calculated by the expenditure incurred to which an appropriate index is applied to arrive at current value. These are also subject to impairment review.

Subsequent expenditure: Subsequent expenditure is capitalised into an asset's carrying value when it is probable the future economic benefits associated with the item will flow to the Commission and the cost can be measured reliably. Where subsequent expenditure does not meet these criteria the expenditure is charged to the Statement of Comprehensive Net Expenditure. If part of an asset is replaced, then the part it replaces is de-recognised, regardless of whether or not it has been depreciated separately.

Revaluations and Impairment:

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in the Statement of Comprehensive Net Expenditure, in which case they are recognised as income. Movements on revaluation are considered for individual assets rather than groups or land/buildings together.

Permanent decreases in asset values and impairments are charged gross to the Statement of Comprehensive Net Expenditure. Any related balance on the revaluation reserve is transferred to the General Fund.

Gains and losses on revaluation are reported in the Statement of Comprehensive Net Expenditure.

Temporary Decreases in Asset Value

Temporary decreases in asset values or impairments are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to the Statement of Comprehensive Net Expenditure.

Depreciation

Items of Property, Plant and Equipment are depreciated to their estimated residual value over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits.

Depreciation is charged on each main class of tangible asset as follows:

- 1) Buildings, installations and fittings are depreciated on current value over the estimated remaining life of the asset, as advised by the appointed valuer. They are assessed in the context of the maximum useful lives for building elements.
- 2) Assets in the course of construction are not depreciated until the asset is brought into use by the Commission.
- 3) Equipment is depreciated over the estimated life of the asset.

Depreciation is charged on a straight line basis.

Except for the assets of the National Confidential Forum which are dealt with separately below, the following asset lives have been used:

Computing equipment	: Servers	5 years
Computing equipment	: Laptops	3 years
Land & Buildings	: Alterations	5 years

National Confidential Forum (NCF) Assets

The NCF was established under the Victims and Witnesses (Scotland) Act 2014 which provided funding for three years. The assets of the NCF are fully depreciated

f) Intangible Assets

Recognition

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the Commission's business or which arise from contractual or other legal rights. They are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to, the Commission and where the cost of the asset can be measured reliably.

Intangible assets that meet the recognition criteria are capitalised when they are capable of being used in a Commission's activities for more than one year and they have a cost of at least £5,000.

The main classes of intangible assets recognised are:

Internally generated intangible assets:

Expenditure on research is not capitalised.

Expenditure on development is capitalised only where all of the following can be demonstrated:

- the project is technically feasible to the point of completion and will result in an intangible asset for sale or use;
- the Commission intends to complete the asset and sell or use it;
- the Commission has the ability to sell or use the asset;
- how the intangible asset will generate probable future economic or service delivery benefits e.g. the presence of a market for it or its output, or where it is to be used for internal use, the usefulness of the asset;
- adequate financial, technical and other resources are available to the Commission to complete the development and sell or use the asset; and
- the Commission can measure reliably the expenses attributable to the asset during development.

Expenditure so deferred is limited to the value of future benefits.

Software:

Software which is integral to the operation of hardware e.g. an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software which is not integral to the operation of hardware e.g. application software, is capitalised as an intangible asset.

Software licences:

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred.

Other:

Other comprises capitalised software for internal use and video conferencing equipment.

Measurement

Valuation:

Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management.

Subsequently intangible assets are measured at fair value. Where an active (homogeneous) market exists, intangible assets are carried at fair value. Where no active market exists, the intangible asset is revalued, using indices or some suitable model, to the lower of depreciated replacement cost and value in use where the asset is income generating. Where there is no value in use, the intangible asset is valued using depreciated replacement cost. These measures are a proxy for fair value.

Intangible assets under construction are valued at current cost. This is calculated by the expenditure incurred to which an appropriate index is applied to arrive at current value. These are also subject to impairment review.

Revaluation and impairment:

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in the Statement of Comprehensive Net Expenditure, in which case they are recognised in income.

Permanent decreases in asset values and impairments are charged gross to the Statement of Comprehensive Net Expenditure. Any related balance on the revaluation reserve is transferred to the General Fund.

Temporary decreases in asset values or impairments are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to the Statement of Comprehensive Net Expenditure.

Operational assets which are in use delivering front line services or back office functions, and surplus assets with restrictions on their disposal, are valued at current value in existing use. Assets have been assessed as surplus where there is no clear plan to bring the asset back into future use as an operational asset

Amortisation

Intangible assets are amortised to their estimated residual value over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits.

Amortisation is charged to the Statement of Comprehensive Net Expenditure on each main class of intangible asset as follows:

- 1) Internally generated intangible assets: Amortised on a systematic basis over the period expected to benefit from the project.
- 2) Software. Amortised over their expected useful life
- 3) Software licenses: amortised over the shorter term of the license and their useful economic lives.
- 4) Intangible assets in the course of construction are not amortised until the asset is brought into use by the Commission

Amortisation is charged on a straight line basis.

The following asset lives have been used:

Software	5 years
Licences	5 years

g) Sale of Property, plant and equipment and intangible assets

Disposal of non-current assets is accounted for as a reduction to the value of assets equal to the net book value of the assets disposed. When set against any sales proceeds, the resulting gain or loss on disposal will be recorded in the Statement of Comprehensive Net Expenditure.

h) Leasing

Finance leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Commission, the asset is recorded as Property, Plant and Equipment and a corresponding liability is recorded. Assets held under finance leases are valued at their fair values and are depreciated over the remaining period of the lease in accordance with IFRS.

The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires. The minimum lease payments (annual rental less operating costs e.g. maintenance and contingent rental) are apportioned between the repayment of the outstanding liability and a finance charge. The annual finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability using either the implicit interest rate or another relevant basis of estimation such as the sum of the digits method. Finance charges are recorded as interest payable in the Statement of Comprehensive Net Expenditure. Contingent rental and operating costs are charged as expenses in the periods in which they are incurred.

Operating leases

Other leases are regarded as operating leases and the rentals are charged to expenditure on a straight-line basis over the term of the lease. Operating lease incentives received are added to the lease rentals and charged to expenditure over the life of the lease.

Leases of land and buildings

Where a lease is for land and buildings, the land component is separated from the building component and the classification for each is assessed separately. Leased land is treated as an operating lease unless title to the land is expected to transfer.

The Commission does not lease assets to others.

i) Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an asset is not held for the purpose of generating cash flows, value in use is assumed to equal the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cashflows (cash-generating units). Non-financial assets that suffer an impairment are reviewed for possible reversal of the impairment. Impairment losses charged to the SOCNE are deducted from future operating costs to the extent that they are identified as being reversed in subsequent revaluations.

j) General Fund Receivables and Payables

Where the Commission has a positive net cash book balance at the year end, a corresponding payable is created and the general fund debited with the same amount to indicate that this cash is repayable to the SGHSCD. Where the Commission has a net overdrawn cash position at the year end, a corresponding receivable is created and the general fund credited with the same amount to indicate that additional cash is to be drawn down from the SGHSCD.

k) Inventories

Inventories of consumables are not material, are not carried on the Statement of Financial Position and have not been valued.

l) Losses and Special Payments

Operating expenditure includes certain losses which would have been made good through insurance cover had the Commission not been bearing its own risks. Had the

Commission provided insurance cover, the insurance premiums would have been included as normal revenue expenditure.

m) Employee Benefits

Short-term Employee Benefits

Salaries, wages and employment-related payments are recognised in the year in which the service is received from employees. The cost of annual leave earned but not taken by employees at the end of the year is recognised in the financial statements to the extent that employees are permitted to carry-forward leave into the following year.

Pension Costs

The Commission participates in the NHS Superannuation Scheme (Scotland). This scheme is an unfunded statutory pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay as specified in the regulations. The Commission is unable to identify its share of the underlying notional assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were defined contribution scheme, as required by IAS 19 'Employee Benefits'. As a result, the amount charged to the Statement of Comprehensive Net Expenditure represents the Commission's employer contributions payable to the scheme in respect of the year. The contributions deducted from employees are reflected in the gross salaries charged and are similarly remitted to the Exchequer. The pension cost is assessed every four years by the Government Actuary and this valuation determines the rate of contributions required. The most recent actuarial valuation is published by the Scottish Public Pensions Agency and is available on their website.

Additional pension liabilities arising from early retirements are not funded by the scheme except where the retirement is due to ill-health. The full amount of the liability for the additional costs is charged to the Statement of Comprehensive Net Expenditure at the time the Commission commits itself to the retirement, regardless of the method of payment.

n) Clinical and Medical Negligence Costs

Employing health bodies in Scotland are responsible for meeting medical negligence costs up to a threshold per claim. Costs above this threshold are reimbursed to Boards from a central fund held as part of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) by the Scottish Government. The Commission participates in this scheme however medical staff do not operate in clinical environment and the risk of clinical negligence are therefore minimal.

o) Related Party Transactions

Material related party transactions are disclosed in line with the requirements of IAS 24 in note 19. Transactions with health bodies e.g. sharing administration costs or with individuals are disclosed if material.

p) Value Added Tax

The Mental Welfare Commission for Scotland was separately registered for VAT on 1st April 2016 (Registration Number 654463916) (2016: part of the Scottish Government VAT Group (Registration Number 888842551 (GD425))). The Commission remains able to reclaim input VAT under the Customs and Excise Contracting Out Direction published in the Edinburgh Gazette dated 10 January 2003.

q) Provisions

The Commission provides for legal or constructive obligations that are of uncertain timing or amount at the Statement of Financial Position date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated cash flows are discounted using the discount rate prescribed by HM Treasury.

r) Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the Commission's control) are not recognised as assets, but are disclosed in note 12 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 12, unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

- possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or
- present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

s) Corresponding Amounts

Corresponding amounts are shown for the primary statements and notes to the financial statements. Where the corresponding amounts are not directly comparable with the amount to be shown in respect of the current financial year, IAS 1 'Presentation of Financial Statements' requires that they should be adjusted and the basis for adjustment disclosed in a note to the financial statements.

t) Financial Instruments

Financial assets

Classification

The Commission classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise derivatives. Assets in this category are classified as current assets. The Commission does not trade in derivatives and does not apply hedge accounting.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the Statement of Financial Position date. These are classified as non-current assets. Loans and receivables comprise trade and other receivables and cash at bank and in hand in the Statement of Financial Position.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the Statement of Financial Position date. Available for sale financial assets comprise investments.

The Commission does not hold any available - for – sale financial assets.

Recognition and measurement

Financial assets are recognised when the Commission becomes party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the Commission has transferred substantially all risks and rewards of ownership.

(a) Financial assets at fair value through profit or loss

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the Statement of Comprehensive Net Expenditure.

Financial assets carried at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the Statement of Comprehensive Net Expenditure.

(b) Loans and receivables

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Commission will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the loan and receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Comprehensive Net Expenditure. When a loan or receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the Statement of Comprehensive Net Expenditure.

Financial Liabilities

Classification

The Commission classifies its financial liabilities in the following categories: at fair value through profit or loss, and other financial liabilities. The classification depends on the purpose for which the financial liabilities were issued. Management determines the classification of its financial liabilities at initial recognition.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise derivatives. Liabilities in this category are classified as current liabilities. The Commission does not trade in derivatives and does not apply hedge accounting.

(b) Other financial liabilities

Other financial liabilities are included in current liabilities, except for maturities greater than 12 months after the Statement of Financial Position date. These are classified as non-current liabilities. The Commission's other financial liabilities comprise trade and other payables in the Statement of Financial Position.

Recognition and measurement

Financial liabilities are recognised when the Commission becomes party to the contractual provisions of the financial instrument.

A financial liability is removed from the Statement of Financial Position when it is extinguished, that is when the obligation is discharged, cancelled or expired.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

Financial liabilities carried at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the Statement of Comprehensive Net Expenditure.

(b) Other financial liabilities

Other financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

u) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments. This has been identified as the Board within the Commission.

Operating segments are unlikely to directly relate to the analysis of expenditure shown in note 5.

v) Cash and cash equivalents

Cash and cash equivalents, includes cash in hand and deposits held at call with banks. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

w) Key sources of judgement and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

No estimates, assumptions and judgements that have a significant risk of a causing material adjustment to the carrying amounts of assets and liabilities are included within the financial statements (2018: Nil)

2) Notes to the Cash Flow Statement

a) Consolidated adjustments for non-cash transactions

2018 £'000	Note	2019 £'000
Expenditure not paid in cash		
- Depreciation	7	-
- Total expenditure not paid in cash	CFS	-

b) Consolidated movements in working capital

2018 Net Movement £'000	Note	2019 Opening Balances £'000	2019 Closing Balances £'000	2019 Net Movement £'000
TRADE AND OTHER RECEIVABLES				
53 Due within one year	7	28	40	
		28	40	
53 Net Decrease/(Increase)				(12)
TRADE AND OTHER PAYABLES				
68 Due within one year	9	309	368	
Less: General Fund	9			
- Creditor included in above		(4)	(4)	
		305	364	
68 Net (Decrease)/Increase				59
PROVISIONS				
- Balance Sheet		34	34	
- Net (Decrease)/Increase		34	34	-
NET MOVEMENT				
121 (Decrease)/Increase				47

3) Operating Expenses

a) Staff Costs

2018 Total £'000	Note	2019 Total £'000
607 Board and Executive		643
1,039 Practitioner staff Costs		970
Casework Administration and Corporate		
962 Services		928
341 Second Opinion Doctors Fees		398
NCF: Head, Members, Administration and short		
219 term staff		268
- LDA : Administration staff		104
<u>3,168 Total</u>	SOCNE	<u>3,311</u>

Further detail and analysis of staff costs can be found in the Remuneration and Staff Report, forming part of the Accountability Report.

b) Other Operating Expenditure

31 March 2018 £'000		31 March 2019 £'000
109	Travel and Subsistence	120
263	Accommodation Costs	395
0	Depreciation / Amortisation	0
169	Computer Equipment and Supplies	252
111	Office administration costs	93
37	Human Resources	42
90	Communications	341
60	Legal and Professional	51
64	Good Practice Projects	47
<u>903</u>	Total	<u>1,341</u>

31 March 2018		31 March 2019
£'000		£'000
	Other health care expenditure	
	External auditor's remuneration	
17	- Statutory audit fee	17
<u>17</u>	Total	<u>17</u>
<u>4,088</u>	Total	<u>4,669</u>

4) Operating Income

31 March 2018		31 March 2019
£'000		£'000
15	Grant Income	-
<u>15</u>	Total Income	<u>-</u>
<u>15</u>	Total Income	<u>-</u>

In 2017/18, the Commission received a grant from the Legal Aid Foundation which was used to part fund the Patients' Rights Care Pathway project launched during that year.

5) Segmental Information

Segmental information as required under IFRS has been reported based on Financial Information used by Management to operate the Commission.

	2018/19				2017/18		
	MWC	NCF	LDA	Total	MWC	NCF	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net operating cost	3,737	788	144	4,669	3,582	491	4,073
Depreciation and amortisation	-	-	-	-	-	-	-

The Commission considers that the Board is the Chief Operating decision maker as it is the highest level of authority within the Commission.

Three (17/18, two) segments have been reported as follows;

- 1) The Operational Management Group is presented with monthly segment accounts for the 'Core' operations of the Commission.
- 2) The National Confidential Forum for Scotland (NCF) is a Committee of the Commission and operates independently, led by a Forum Head.
- 3) The Review of Learning, Disability and Autism is an independent review, hosted by the Commission. The budget for the review is part of the Commission's allocation from the Scottish Government and the Chief Executive is therefore accountable for the appropriate use of these public funds.

The following financial results for the year were presented to the April 2019 Management Groups:

Current year - 2018/19	MWC 'Core' £'000	NCF £'000	LDA £'000	Total £'000
Reported to Board 30.04.19	3,766	773	-	
Late adjustments	(29)	15	-	
Per Annual Accounts	<u>3,737</u>	<u>788</u>	<u>144</u>	<u>4,669</u>

Prior year – 2017/18

	MWC 'Core' £'000	NCF £'000	Total £'000
Reported to Board 15.05.18	3,582	491	4,073
Per Annual Accounts	3,582	491	4,073

6a) Intangible Assets

	Software Licences £'000	Information Technology £'000	Other Intangible £'000	Total £'000
Cost or Valuation:				
As at 1 April 2018	14	796	13	823
At 31 March 2019	14	796	13	823
Amortisation				
At 1 April 2018	14	796	13	823
Provided during the year	-	-	-	-
At 31 March 2019	14	796	13	823
Net Book Value at 1 April 2018	-	-	-	-
Net Book Value at 31 March 2019	-	-	-	-

6a) Intangible Assets (Prior Year)

	Software Licences £'000	Information Technology £'000	Other Intangible £'000	Total £'000
Cost or Valuation:				
As at 1 April 2017	14	796	13	823
At 31 March 2018	14	796	13	823
Amortisation				
At 1 April 2017	14	796	13	823
Provided during the year	-	-	-	-
At 31 March 2018	14	796	13	823
Net Book Value at 1 April 2017	-	-	-	-
Net Book Value at 31 March 2018	-	-	-	-

7a) Property, Plant and Equipment (Purchased Assets)

Year ended 31 March 2019	Buildings (excluding dwellings) £'000	Information Technology £'000	Total £'000
Cost or valuation			
At 1 April 2018	332	205	537
Additions	288	-	288
At 31 March 2019	620	205	825
Depreciation			
At 1 April 2018	332	205	537
Provided during the year	-	-	-
At 31 March 2019	332	205	537
Net book value at 1 April 2018	-	-	-
Net book value at 31 March 2019	288	-	288
Asset Financing			
Owned	-	-	-
Net Book value at 31 March 2019	-	-	-

**7a) Property, Plant and Equipment (Purchased Assets)
(Prior Year)**

Year ended 31 March 2018	Buildings (excluding dwellings) £'000	Information Technology £'000	Total £'000
Cost or valuation			
At 1 April 2017	332	205	537
At 31 March 2018	332	205	537
Depreciation			
At 1 April 2016	332	205	537
At 31 March 2017	332	205	537
Net book value at 1 April 2017	-	3	-
Net book value at 31 March 2018	-	-	-
Asset Financing			
Owned	-	-	-
Net Book value at 31 March 2018	-	-	-

7b) Donated Assets

All Property, Plant and Equipment is purchased and there are no donated assets (prior year: £nil).

7c) Analysis of Capital Expenditure

31 March 2018 £'000		31 March 2019 £'000
	Expenditure	
	- Acquisition of property, plant and equipment	288
	- Gross capital expenditure	288
	- Net capital expenditure	288
	Summary of Capital Resource Outturn	
	Core capital expenditure included above	288
	- Core capital resource limit	300
	Saving/(excess) against core capital resource	
	- limit	12

8) Trade and Other Receivables

31 March 2018 £'000		31 March 2019 £'000
	Receivables due within one year	
28	Prepayments	40
28	Total Receivables due within one year	40
28	TOTAL RECEIVABLES	40
	WGA Classification	
28	Balances with bodies external to Government	40
28	Total	40

There is no provision for impairment of receivables (2018: £nil)

There are no receivables assessed as individually impaired.

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2019, receivables of carrying value of £nil (2018: £nil) were past their due date but not impaired.

The credit quality of receivables that are neither past due nor impaired is assessed by reference to external credit ratings where available. Where no external credit rating is available, historical information about counterparty default rates is used.

The maximum exposure to credit risk is the fair value of each class of receivable. The Commission does not hold any collateral as security.

31 March 2018 £'000		31 March 2019 £'000
	The carrying amount of receivables are denominated in the following currencies:	
28	Pounds	40
<u>28</u>		<u>40</u>

9) Cash and Cash Equivalents

	Note	2019 £000	2018 £000
Balance at 1 April		3	14
Net change in cash and cash equivalent balances	CFS	1	(11)
Balance at 31 March	SoFP		
Overdrafts		0	0
Total Cash - Cash Flow Statement		<u>4</u>	<u>3</u>

The following balances at 31 March were held at:

Commercial banks and cash in hand	4	3
Balance at 31 March	<u>4</u>	<u>3</u>

Cash at bank is with a major UK bank. The credit risk associated with cash at bank is considered to be low.

10) Trade and Other Payables

31 March 2018 £'000	31 March 2019 £'000
Payables due within one year	
NHS Scotland	
24 Boards	0
24 Total NHS Scotland Payables	
5 General Fund Payable	5
0 Trade Payables	0
275 Accruals	358
5 Income tax and social security	5
309 Total Payables due within one year	368
309 TOTAL PAYABLES	368
WGA Classification	
24 NHS Scotland	0
64 Central Government Bodies	63
0 Whole of Government Bodies	0
221 Balances with bodies external to Government	305
309 Total	368

There are no borrowings in either 2018/19 or 2017/18.

The carrying value of short term payables approximates their fair value. The carrying amount of payables is denominated in the following currencies;

31 March 2018 £'000	31 March 2019 £'000
309 Pounds	368
309	368

11) Provisions

	Participation in CNORIS £'000	2019 Total £'000
At 1 April 2018	34	34
At 31 March 2019	34	34

**Analysis of expected timing of
discounted flows to 31 March 2019**

	£'000	£'000
Payable in one year	0	0
Payable between 2 - 5 years	0	0
Payable between 6 - 10 years	0	0
Thereafter	34	34
At 31 March 2019	34	34

PROVISIONS (PRIOR YEAR)

	Participation in CNORIS £'000	2018 Total £'000
At 1 April 2017	34	34
At 31 March 2018	34	34

**Analysis of expected timing of
discounted flows to 31 March 2018**

	£'000	£'000
Payable in one year	0	0
Payable between 2 - 5 years	0	0
Payable between 6 - 10 years	0	0
Thereafter	34	34
At 31 March 2018	34	34

11b) Clinical Negligence and Other Risks Indemnity Scheme (CNORIS)

2018	Note	2019
£000		£000
0	Provision recognising individual claims against the the Commission as at 31 March	0
0	Associated CNORIS receivable at 31 March	0
34	Provision recognising the Commission's liability from participating in the scheme at 31 March	34
34	Net Total Provision relating to CNORIS at 31 March	34

The Clinical Negligence and Other Risks Scheme (CNORIS) has been in operation since 2000. Participation in the scheme is mandatory for all NHS boards in Scotland. The scheme allows for risk pooling of legal claims in relation to clinical negligence and other risks and works in a similar manner to an insurance scheme. CNORIS has an agreed threshold of £25k and any claims with a value less than this are met directly from within boards' own budgets. Participants e.g. NHS boards contribute to the CNORIS pool each financial year at a pre-agreed contribution rate based on the risks associated with their individual NHS board. If a claim is settled the board will be reimbursed by the scheme for the value of the settlement, less a £25k "excess" fee. The scheme allows for the risk associated with any large or late in the financial year legal claims to be managed and reduces the level of volatility that individual boards are exposed to.

When a legal claim is made against an individual board, the board will assess whether a provision or contingent liability for that legal claim is required. If a provision is required then the board will also create an associated receivable recognising reimbursement from the scheme if the legal claim settles. The receivable is netted off against the provision to reflect reimbursement from the scheme.

As a result of participation in the scheme, boards also recognise that they will be required to make contributions to the scheme in future years. Therefore a second provision that recognises the board's share of the total CNORIS liability of NHS Scotland has been made and this is reflected in the table above.

Therefore there are two related but distinct provisions required as a result of participation in the scheme. Both of these provisions as well as the associated receivable have been shown in the note above to aid the reader's understanding of CNORIS.

Further information on the scheme can be found at: <http://www.clo.scot.nhs.uk/our-services/cnoris.aspx>

12) Contingent Assets and Liabilities

There are no Contingent Assets or Liabilities that have not been provided for in the accounts (2017: £nil).

13) Events after the end of the reporting year

The Commission has no events after the reporting period which have a material effect on the accounts.

14) Commitments

The Commission has no Capital Commitments as at 31 March 2019 (2018: £nil).

Other financial commitments

The Commission has entered into non-cancellable contracts (which are not leases or PFI contracts), for the provision of professional support and software support services.

The payments to which the Commission is committed during 2018/19, analysed by the period during which the commitments expire are as follows:

	31 March 2019	31 March 2018
	£'000	£'000
Expiry within 1 year	71	81
Expiry within 2 to 5 years	180	180
Total	<u>251</u>	<u>261</u>

The Commission has not entered into any Financial Guarantees, Indemnities or provided any letters of Comfort.

15) Commitments under Leases

Operating Leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

31 March 2018	31 March 2019
£'000	£'000
Operating Leases	
Total future minimum lease payments under operating leases are given in the table below for each of the following periods.	
Obligations under operating leases comprise:	
Land	
25 Not later than one year	17
23 Later than one year, not later than two years	33
22 Later than two years not later than five years	23
Buildings	
230 Not later than one year	150
204 Later than one year, not later than two years	299
199 Later than two years not later than five years	211
Other	
3 Not later than one year	2
1 Later than one year, not later than two years	2
- Later than two years not later than five years	-
Amounts charged to Operating Costs in the year were:	
4 Hire of equipment (including vehicles)	4
234 Other operating leases	255
238 Total	259

There are no contingent rents or Finance Leases.

16) Pension Costs

The Commission participates in the NHS Pension Scheme (Scotland). The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2012. The next valuation will be as at 31 March 2016 and this will set contribution rates from 1 April 2019.

The Commission has no liability for other employers' obligations to the multi-employer scheme.

As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme.

The scheme is an unfunded multi-employer defined benefit scheme.

It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the Commission is unable to identify its share of the underlying assets and liabilities of the scheme.

The employer contribution rate for the period from 1st April 2015 to 31st March 2019 was 14.9% of pensionable pay. This rate increased to 20.9% from 1st April 2019. While the employee rate applied is a variable it will provide an actuarial yield of 9.8% of pensionable pay.

At the last valuation a shortfall of £1.4 billion was identified in the notional fund which will be repaid by a supplementary rate of 2.6% of employer's pension contributions for fifteen years from 1 April 2015. This contribution was included in the 14.9% employer's contribution rate.

The Commission's level of participation in the scheme is 0.04% based on the proportion of employer contributions paid in 2017-18.

The new NHS Pension Scheme (Scotland) 2015

From 1 April 2015 the NHS Pension Scheme (Scotland) 2015 was introduced. This scheme is a Career Average Re-valued Earnings (CARE) scheme. Members will accrue 1/54 of their pay as pension for each year they are a member of the scheme. The accrued pension is re-valued each year at an above inflation rate to maintain its buying power. This is currently 1.5% above increases to the Consumer Prices Index (CPI). This continues until the member leaves the scheme or retires. In 2017-18 members paid tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings. The normal pension age (NPA) is the same as the State Pension age. Members can take their benefits earlier but there will be a deduction for early payment.

The existing NHS Superannuation Scheme (Scotland)

This scheme closed to new joiners on 31 March 2015 but any benefits earned in either NHS 1995 or NHS 2008 sections are protected and will be paid at the section's normal pension age using final pensionable pay when members leave or retire. Some members who were close to retirement when the NHS 2015 scheme launched will continue to earn benefits in their current section. This may affect members who were paying into the scheme on 1 April 2012 and were within 10 years of their normal retirement age. Some members who were close to retirement but did not qualify for full protection will remain in their current section beyond 1 April 2015 and join the 2015 scheme at a later date.

All other members automatically joined the NHS 2015 scheme on 1 April 2015.

Further information is available on the Scottish Public Pensions Agency (SPPA) web site at www.sppa.gov.uk.

17) Financial Instruments

(a) Financial Instruments by category

2018 Total £'000	AT 31 March Assets per Statement of Financial Position	Note	Loans and Receivables £'000	2019 Total £'000
3	Cash and cash equivalents	9	4	4
<u>3</u>			<u>4</u>	<u>4</u>

2018 Total £'000	AT 31 March Liabilities per Statement of Financial Position	Note	Other financial liabilities £'000	2019 Total £'000
275	Trade and other payables excluding statutory liabilities (VAT and income tax and social security)	10	362	362
<u>275</u>			<u>362</u>	<u>362</u>

Exposure to Risk

The Commission's activities expose it to a variety of risks:

Credit risk - the possibility that other parties might fail to pay amounts due.

Liquidity risk – the possibility that the Commission might not have funds available to meet its commitments to make payments.

Market risk – the possibility that financial loss might arise as a result of changes in such measures as interest rates, stock market movements or foreign exchange rates.

Because of the largely non-trading nature of its activities and the way in which health bodies are financed, the Commission is not exposed to the degree of financial risk faced by business entities.

Financial Risk Factors

Risk Management policies: The Commission provides written principles for overall risk management, as well as written policies covering standing financial Instructions and Financial Operating procedures.

(a) Credit Risk

Credit risk arises from cash and cash equivalents, deposits with banks and other institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

For banks and other institutions, only independently rated parties with a minimum rating of 'A' are accepted.

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Commission.

No losses are expected from non-performance by any counterparties in relation to deposits.

(b) Liquidity Risk

The Scottish Parliament makes provision for the use of resources by the Commission for revenue and capital purposes in a Budget Act for each financial year. Resources and accruing resources may be used only for the purposes specified and up to the amounts specified in the Budget Act. The Act also specifies an overall cash authorisation to operate for the financial Year. The Commission is not therefore exposed to significant liquidity risks.

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

31 March 2019

Less than 1 year
£'000

Trade and other payables excluding statutory liabilities
Total

362

31 March 2018

Less than 1 year
£'000

Trade and other payables excluding statutory liabilities	275
Total	275

(c) Market Risk

The Commission has no powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Commission in undertaking its activities.

Cash flow and fair value interest rate risk

The Commission has no significant interest bearing assets or liabilities and as such income and expenditure cash flows are substantially independent of changes in market interest rates.

Foreign Currency Risk

The Commission is not exposed to foreign exchange rates.

Price risk

The Commission is not exposed to equity security price risk.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current HM Treasury interest rate that is available for similar financial instruments.

18) Related Party Transactions

The Commission has not entered into any material transactions with other Government departments and other Central Government organisations.

No Board Member, key manager or other related party has undertaken any material transaction with the Commission during the year.

Direction by the Scottish Ministers



MENTAL WELFARE COMMISSION FOR SCOTLAND

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of sections 89(1), (1B) and (3) of the National Health Service (Scotland) Act 1978, as applied by Schedule 1 paragraph 8(c) of the Mental Health (Care and Treatment) (Scotland) Act 2003, hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (GFRM) which is in force for the year for which the statement of accounts are prepared.
3. Subject to the foregoing requirements, the accounts shall also comply with any accounts format, disclosure and accounting requirements issued by the Scottish Ministers from time to time.
4. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
5. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 30 December 2002 is hereby revoked.



Signed by the authority of the Scottish Ministers

Dated 10/2/2006

